Paycheck Protection Program: Exploration of the Impact it had on the Firm Resources of the Micro Fashion Businesses in West Virginia

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Micro businesses are the backbone of the United States (U.S) economy. Small businesses with five or fewer employees including the owner are defined as micro enterprises (AOE, 2019). Although it is not the primary engine of growth, the micro-business sector is very important for regional development and basic household economic survival (Walcott, et. al., 2008). There are currently 31.7 million small and micro businesses in the U.S which is 99.9% of the country’s total businesses (SBA, 2020). Small and micro-businesses created 1.6 million net jobs in 2019 and firms with fewer than 20 employees experienced the largest gains, adding 1.1 million net jobs (SBA, 2020). However, insufficient capital and failure to gain enough profit are the most significant contributors to micro-business failure along with a lack of management knowledge of business and finances.

West Virginia’s economy has been weaker over the past decade compared to the whole nation and neighboring states such as Pennsylvania, Maryland, and Ohio. However, the state of West Virginia has gained a strong economic position after the recession in mid-2016 due to the small and micro businesses (Lego, et. al., 2018). This helped the state to narrow the economic difference with the whole nation as well as with its neighboring states. In West Virginia, 98.9% of all businesses are small and micro-businesses. This contributes 49.1% of the state’s total employment. In 2019, small and micro-businesses created 4,270 net jobs in West Virginia (United States Census Bureau, 2020).

The COVID-19 pandemic impacted the trade activity of all businesses across the U.S. and about 22 million workers lost their jobs (CNBC, 2020). Many micro businesses had to temporarily shut down their stores due to lockdowns and government orders. The situation was much worse in West Virginia as small and micro businesses are considered the primary engine for the state’s economy. To support the small and micro businesses, congress created the Paycheck Protection Program (PPP) as part of the CARES Act passed on March 27, 2020. Small and medium-sized firms that were substantially affected by COVID-19 were granted PPP loans with low-interest rates (Bartik et. al., 2020). The main purpose of these PPP loans was to help the small and micro businesses regain their resources to do business again.

The Resource-Based Theory (RBT) is used as the study’s conceptual framework. The RBT states that any business has a unique bundle of resources that differentiate itself from the competitor and help in achieving a competitive advantage (Barney, 1991). Resources can be classified as 1) financial; 2) physical; 3) human; 4) organizational knowledge and learning; 5) general organizational resources.
Researchers (Bartik et. al., 2020; Li & Strahan, 2020) analyzed the importance of PPP during the pandemic and the effects it had on small businesses and found that PPP assisted in increasing a business’s expected survival. However, no such studies analyzed the impact PPP has on the micro fashion businesses in West Virginia. Therefore, this study aims to identify the impacts of PPP on micro fashion businesses in West Virginia. To gain an in-depth understanding of the impact of PPP, a semi-structured qualitative interview approach was used. Interviews were conducted with 16 owners and managers of micro fashion businesses across West Virginia.

The result of this study revealed several major impacts of the PPP on micro fashion business resources in West Virginia. They are a) reassurance, given the unpredictability of covid, the financial support steadied the business from the uncertainties as described “that’s (PPP) the only way I could open my store when I was closed for six weeks, I immediately needed money to pay all the utilities and that (PPP) helped me a lot” (6 out of 16); b) rehiring of employees as described by “I have spent that (PPP) money on my employees to bring them back and to start working again” (8 out of 16); c) customer safety precautions described as “this (PPP) helped us to upgrade the stores to abide by the safety protocols of CDC” (5 out of 16); d) normalization of community environment described as “people are now coming to store and shop like regular days” (6 out of 16); e) Financial uncertainty due to misconceptions associated with PPP “I didn’t know that the loan was forgiven and that’s why didn’t apply for another” (4 out of 16).

The PPP loan was also found to impact the firm resources. Due to store closure, the small and micro fashion businesses had to lay off their employees. The PPP was vital in getting those key human resources back “we were able to get some of our employees back for this (PPP) loan from government” (8 out of 16). The stoppage of businesses for six weeks had a huge impact on the small and micro businesses’ financial resources. The PPP loan was very helpful in jump-starting the small and micro businesses and provided much-needed relief for the business owners “It helped us to resume our business and it was really helpful for us when we were forgiven for the first PPP loan” (6 out of 16). General organizational resources were also impacted as the relationship with the vendors and suppliers was tested. The PPP loan helped the business owners to fulfill the orders placed with suppliers and vendors and was instrumental in reestablishing regular communications “I started to have more communication with my suppliers and trying to help each other during this time” (5 out of 16). Due to the pandemic, the small and micro businesses had to reevaluate their product offerings, pricing policies, and marketing strategies. The PPP loan helped the businesses to ease the pressure on organizational and learning resources and restart their businesses “I was in need of immediate money and this loan helped me to run my business like before” (7 out of 16). The PPP also had a huge impact on physical resources as when the businesses opened, they had to pay all the dues, utilities, and rent “at least we paid the utilities and rent with that money to start business again” (10 out of 16).

The study findings have major implications and contributions. This study addressed the gaps in the literature by providing insight into the impact of PPP on micro fashion businesses in West
Virginia. Reopening stores/businesses and rehiring employees were found to be the major impact of PPP on micro fashion businesses in West Virginia. The study findings provided a realistic understanding for the federal and state lawmakers about the impact PPP loan had on micro fashion businesses in West Virginia. Future research is recommended to analyze the long-term impact of PPP loans on micro fashion businesses in the rural Appalachian region.

References


